

## Message Text

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INFO OCT-01 EA-07 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 LAB-04 SIL-01 SAM-01 XMB-02 IO-10 OIC-02

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TO SECSTATE WASHDC PRIORITY 161

INFO ALL EC CAPITALS 1441

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EC FINANCE MINISTERS CONFERENCE--GENERAL AGREEMENT  
ON PROPOSED IMF AMENDMENTS

REFS: A. EC BRUSSELS 11092

B. EC BRUSSELS 10802

C. EC BRUSSELS 10803

1. SUMMARY: THE EC FINANCE MINISTERS MET INFORMALLY ON  
DECEMBER 15 TO PREPARE FOR THE UPCOMING IMF INTERIM COMMIT-  
TEE MEETING. BELGIAN FINANCE MINISTER DE CLERCQ SAID AFTER  
THE MEETING THAT THE NINE HAD REACHED GENERAL AGREEMENT ON THE  
US-FRENCH PROPOSED EXCHANGE ARRANGEMENTS AND ON THE SIMUL-  
TANEOUS IMPLEMENTATION OF IMF GOLD ARRANGEMENTS. THE MINISTERS  
ALSO AGREED IN GENERAL TERMS TO SEVERAL MEASURES TO ASSIST  
THE LDGS, ESPECIALLY EARLY ESTABLISHMENT OF THE TRUST FUND AND  
EXPANSION OF THE COMPENSATORY FINANCING FACILITY. END SUMMARY.

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2. EC FINANCE MINISTERS AND CENTRAL BANK GOVERNORS MET IN

BRUSSELS ON DECEMBER 15 IN AN INFORMAL CONFERENCE TO PREPARE FOR THE DECEMBER 19 G-10 MEETING AND IMF INTERIM COMMITTEE MEETING IN JAMAICA IN EARLY JANUARY. THE GROUP COORDINATED THE EC NINE'S POSITION ON IMF EXCHANGE AND GOLD ARRANGEMENTS, AND THE EXPANSION OF IMF CREDIT FACILITIES, ESPECIALLY TO AID THE DEVELOPING COUNTRIES. THE MINISTERS GENERALLY FOLLOWED THE POSITIONS PROPOSED BY THE EC MONETARY COMMITTEE (SEE REFS B AND C).

3. EXCHANGE ARRANGEMENTS: THE MINISTERS TOOK UP THE US-FRENCH PROPOSED REVISION OF IMF ARTICLE IV, AND CONCLUDED THAT THIS TEXT CONSTITUTED AN ADEQUATE BASIS FOR AN AGREEMENT. THEY EXPRESSED THE STRONG HOPE THAT AN AGREEMENT COULD BE REACHED IN JAMAICA. EC COMMISSION OFFICIALS ADD THAT MINOR LEGAL AND TECHNICAL ADJUSTMENTS ARE NEEDED TO HAVE THE PROPOSAL CONFORM TO IMF REQUIREMENTS. THE EC MONETARY COMMITTEE CITED SEVERAL TECHNICAL CHANGES WHICH MAY BE NEEDED (SEE REF B) BUT THE NINE DO NOT PLAN TO SEEK ANY SUBSTANTIAL CHANGES.

4. GOLD ARRANGEMENTS: THE NINE FINANCE MINISTERS SAID THEY WERE PREPARED TO PUT INTO EFFECT, WITHOUT DELAY, ARRANGEMENTS TO DISPOSE OF THE IMF GOLD STOCK WHICH THE INTERIM COMMITTEE AGREED UPON IN AUGUST. THEY FAVOR "DOUBLE SYMMETRY". ON THE ONE HAND, IMF GOLD SALES AND RESTITUTION SHOULD OCCUR SIMULTANEOUSLY AND, ON THE OTHER HAND, GOLD RESTITUTION SHOULD BE LINKED TO THE UNDERSTANDING THAT THOSE CENTRAL BANKS, WHICH DESIRE TO DO SO, MAY BUT THE GOLD WHICH THE IMF SELLS ON THE MARKET. THE MINISTERS ADDED THAT THIS "DOUBLE SYMMETRY" MAY BE PUT INTO EFFECT WITHOUT OBTAINING THE RATIFICATION OF THE AMENDMENTS TO THE IMF ARTICLES.

5. CONCERNING THE FREEDOM OF CENTRAL BANK GOLD PURCHASES, THE MINISTERS AGAIN REAFFIRMED THAT THEY CONTINUED TO ADHERE TO THE "ZEIST GOLD AGREEMENT". (THIS AGREEMENT AMONG THE NINE STATES THAT CENTRAL BANKS ARE FREE TO UNDERTAKE ALL TYPES OF GOLD TRANSACTIONS, SUCH AS PURCHASES ON THE MARKET, SALES AMONG THEMSELVES AND PURCHASES FROM THE IMF. IT IS UNDERSTOOD THAT DURING THE FIRST TWO YEARS THERE WOULD BE NO NET INCREASE IN CENTRAL BANK GOLD STOCKS.)

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6. COMMISSION OFFICIALS ADD THAT THE EC IS READY TO PUT THE GOLD ARRANGEMENTS INTO EFFECT AS LONG AS THERE ARE NO LEGAL OBSTACLES TO PROMPT IMPLEMENTATION. THE US REPORTEDLY TOOK A POSITIVE ATTITUDE TOWARD EARLY IMPLEMENTATION AT THE RECENT DEPUTY G-10 MEETING BUT IT IS NOT YET CLEAR WHETHER CONGRESS WILL GO ALONG WITH THIS PROPOSAL. FRENCH FINANCE MINISTER FOURCADE ASKED THAT THE IMF BOARD OR INTERIM COMMITTEE MAKE A STATEMENT THAT CENTRAL BANKS ARE FREE TO BUY ON THE MARKET THE GOLD

WHICH THE IMF SELLS. THE DUTCH,-BELGIAN AND ITALIAN MINISTERS SAID THEY PREFERRED TO STICK TO THE "ZEIST AGREEMENT" WHICH ALLOWED CENTRAL BANKS THE FREEDOM TO CARRY OUT ALL TYPES OF GOLD TRANSACTIONS. THEY FEARED THAT THE FRENCH PROPOSAL WOULD DETRACT FROM THE "ZEIST AGREEMENT". GERMAN FINANCE MINISTER APEL AND UK PAYMASTER GENERAL DELL, HOWEVER, WERE PREPARED TO SUPPORT THE PROPOSAL.

7. COMPENSATORY FINANCING: THE MINISTERS SUPPORTED SUBSTANTIAL LIBERALIZATION OF THE COMPENSATORY FINANCING FACILITY IN ORDER TO ASSIST COUNTRIES WHICH SUFFER FROM FLUCTUATIONS IN PRIMARY PRODUCT EARNINGS. COMMISSION OFFICIALS SAY THE MINISTERS DECIDED TO LEAVE IT UP TO THE IMF BOARD TO DETERMINE HOW MUCH THE FACILITY SHOULD BE EXPANDED BUT THE NINE GENERALLY FAVORED EXPANSION ALONG THE LINE OF THE IMF'S PROPOSAL.

8. TRUST FUND: THE MINISTERS WANTED TO PUT THE TRUST FUND INTO EFFECT WITHOUT DELAY. COMMISSION OFFICIALS ADD THAT SEVERAL MINISTERS QUESTIONED WHETHER THE LDCS WERE STILL INTERESTED IN THIS PROPOSAL BUT THEY DECIDED THAT UNTIL THE LDCS INDICATED OTHERWISE, THEY WOULD CONTINUE TO FAVOR PUTTING IT PROMPTLY INTO OPERATION.

9. NO AGREEMENT WAS REACHED ON THE SPECIFICS OF THE FUND'S OPERATION. MINISTERS PROPOSED A RANGE OF 3 TO 8 YEARS FOR THE FUND'S LIFE; MOST, HOWEVER, FAVORED BELGIAN FINANCE MINISTER DE CLERCQ'S POSITION OF A FIVE YEAR DURATION. FOURCADE SUGGESTED THAT MOST SERIOUSLY AFFECTED LDCS WITH A PER CAPITA INCOME

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

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UNDER \$200 SHOULD BE RECIPIENTS. DUTCH FINANCE MINISTER DUSENBERG ADDED BOP NEED MIGHT BE THE MAIN CRITERION. THERE WAS ALSO NO AGREEMENT ON THE FORM OF THE FUND'S ASSISTANCE. LOANS, INTEREST RATE SUBSIDIES AND GRANTS IN SPECIAL CASES WERE MENTIONED. APEL SUMMED UP THE DISCUSSION BY SAYING THE INTERIM COMMITTEE SHOULD AGREE IN PRINCIPLE FIRST TO SETTING UP THE FUND AND THEN THE DETAILS COULD BE WORKED OUT.

8. OIL FACILITY: THE MINISTERS AGREED TO MAKE AVAILABLE RAPIDLY THE NECESSARY RESOURCES FOR THE INTEREST SUBSIDY ACCOUNT OF THE OIL FACILITY. COMMISSION OFFICIALS ADD, HOWEVER, THAT THE NINE EXPECT OTHER CONTRIBUTORS, I.E., THE OPEC COUNTRIES AND THE US, ALSO TO MAKE SUBSTANTIAL PAYMENTS. NO MENTION WAS MADE OF EXTENDING THE 1975 OIL FACILITY.

9. EXPANSION OF THE IMF GENERAL ACCOUNT: THE MINISTERS MADE NO PUBLIC STATEMENT ON THIS BUJECT. COMMISSION OFFICIALS SAY, HOWEVER, THAT THE NINE ARE PREPARED TO SUPPORT EITHER A FIFTH IMF TRANCHE OF 25 PERCENT OR TEMPORARILY INCREASING EXIST-  
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ING QUOTAS TO CORRESPOND TO THE PROPOSED QUOTA INCREASES BEFORE THESE INCREASES ARE RATIFIED OR BOTH. THE FRG, HOWEVER, WOULD FAVOR INCREASING IMF TRANCHES ONLY IF THE TRUST FUND IS NOT PUT INTO OPERATION.MORRIS

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